



DEFENSE ACQUISITION EXCELLENCE COUNCIL

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“DEFENSE INDUSTRY INITIATIVE”

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**Defense Industry Initiative on Business Ethics and Conduct
("DII")**



PROPOSITIONS

- The current and broadly-based demand for stronger corporate ethics and governance will not soon abate.
- The defense industry is essential to national security.
- Defense is a regulated industry. Improper business conduct in either DOD or the defense industry is perceived as involving the other.
- DOD and DII have complementary roles in addressing matters of ethics and conduct.



DII ORIGINS

- 1980s defense build up; the best of times and the worst of times. “When the Pentagon was for sale.” “Operation Ill Wind”
- Congress and the public were losing confidence in the defense industry.
- “Packard” Commission on Defense Management 1985/1986.
- June 1986, defense industry CEOs voluntarily banded together in a lasting commitment to business ethics and standards of conduct.



DII PRINCIPLES

- Each signatory shall have and enforce a code of ethical conduct for all personnel
- Training programs in ethics and compliance
- Internal means for reporting business misconduct
- Procedures for self-disclosure to the government
- Share “Best Practices”
- Public accountability



DII ASSETS

- Broadly based confidence in the DII principles and signatory practices, developed over 18 years.
- Annual two-day Best Practices Forum; sharing corporate best practices and interaction with key DOD personnel.
- One-day focus programs on current compliance issues, such as Sarbanes-Oxley; supply chain management; export controls; international contracting; e-commerce.
- Sizeable “Information Clearing House” of ethics and compliance materials and related training programs.



KEY ACHIEVEMENTS

- Increased public and congressional confidence in the defense industry.
- Regular sharing with DOD and within industry best practices in meeting ethics and standards of conduct issues.
- Open publication of a “tool kit” for mid-size and smaller companies to help them develop ethics and conduct programs.
- Model for other corporations, industry groups and organizations.



CURRENT CHALLENGES

- Sustaining energy and enthusiasm for ethics and conduct to ward off complacency and to prevent forgetting past lessons.
- Expanding the DII to include more mid-size and smaller companies which are our subcontractors and suppliers.
- Matching DII efforts with the DOD shift away from transparency in contracting, and with the consequences of industry consolidation.



DII FUTURE

- Maintain close ties to the Department of Defense.
- Expand acceptance by greater numbers in the defense industry of the DII principles, which have shown remarkable resilience.
- Strengthen senior level involvement.